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FOR INFORMATION

GREETING CARD AND RELATED OPERATIONS

Provisional report for the period 1 May 1993-30 April 1994

SUMMARY

The present document presents the provisional results of the UNICEF Greeting Card and related Operations (GCO) for the year ending 30 April 1994.

Figures I and II compare the 1993 projected sales volume and gross proceeds by sales region with the 1992 actual and with the 1993 budget.

Table 1 compares the 1993 provisional financial results with the 1993 budget and the 1992 actual results.

Sales of greeting cards for 1993 are projected at 156.5 million cards (an increase of 6.4 million over 1992), with gross proceeds forecast at $140.2 million (a decrease of $10.8 million when compared to 1992, all of which is attributable to unfavourable exchange rates).

The net operating income for GCO products is projected at $60 million and $43 million from private sector fund-raising. The consolidated net operating income is forecast at $102 million after inclusion of expenditures of $1 million for the Central and Eastern European National Committees Development Programme.

After allowing for an exchange rate adjustment of $9 million, necessary to cover the actual and anticipated losses resulting from exchange rate variations on non-United States dollar-denominated assets and liabilities (predominantly on outstanding accounts receivable), and prior years' adjustment of $2 million, the total GCO contribution to UNICEF general resources (net income - consolidated) is estimated at $91 million, a decrease of $16.2 million when compared to 1992 actual and $9.6 million less than the 1993 budget.

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I. INTRODUCTION

1. The mandate of Greeting Card and related Operations (GCO) comprises two income-generating areas which aim to maximize income for UNICEF from the public at large. These are (a) greeting card and other products; and (b) private sector fund-raising, including special fund-raising events.

2. The GCO provisional report for the period from 1 May 1993 to 30 April 1994 is based on income estimates received as at 31 January 1994 from National Committees for UNICEF and UNICEF field offices in each of the six market regions. Expenditures are estimated for the 12-month period ending 30 April 1994.

3. The results from each income-generating area of activity are presented separately in the present report and are consolidated in table 1, which shows GCO 1993 provisional results compared with the 1992 actual and 1993 approved work plan and budget.

4. The projected net proceeds and expenditures for private sector fund-raising are shown in table 2.

II. GREETING CARDS AND OTHER PRODUCTS

5. As a result of the sales efforts of its partners, GCO, in its 1993 campaign, projects an increase of 6.4 million cards compared to 1992 actual. However, the continued global recession, the difficult economic circumstances in Central and Eastern Europe and a strong United States dollar have negatively influenced GCO results. The effect of unfavourable exchange rates on the 1993 gross proceeds is estimated at $17 million. GCO operating performance, which is subject to currency fluctuations over which it has no control (see E/ICEF/1993/AB/L.6, para. 18), was affected further by exchange rate adjustments of $9 million provided to cover anticipated losses due to the strong dollar and its impact on the revaluation of GCO non-United States-dollar-denominated assets (see para. 19 below).

A. Sales volume

6. Sales reports for the six market regions show an estimated increase in card volume of 6.4 million compared with the 1992 actual results. Sales by region for 1993 compared with the 1992 actual sales (E/ICEF/1994/AB/L.5) are projected to increase in five out of the six regions and are shown in figure I below.

Figure I. Sales by region, 1993: provisional results compared to 1992 actual

(Millions of cards and millions of United States dollars)

Region	1992 actual		1993 provisional		Variance Increase/ (decrease)	
	Cards sold	Amount	Cards sold	Amount	Cards sold	Amount
I. North America	14.5	13.4	15.4	13.8	0.9	0.4
II. Latin America	9.3	7.8	10.8	7.9	1.5	0.1
III. Asia	10.0	7.9	10.4	9.2	0.4	1.3
IV. Pacific, India and Pakistan	7.6	3.3	8.3	3.1	0.7	(0.2)
V. Europe	103.9	113.5	106.9	102.3	3.0	(11.2)
VI. Africa and the Middle East	4.8	5.1	4.7	3.9	(0.1)	(1.2)
Total all regions	150.1	151.0	156.5	140.2	6.4	(10.8)

7. Figure II below compares the provisional sales results of 1993 in the six market regions with the 1993 budget (see E/ICEF/1993/AB/L.6), indicating a negative variance in sales volume of 5.7 million cards.

Figure II. Sales by region, 1993: provisional results compared to 1993 budget

(Millions of cards and millions of United States dollars)

Region	1993 budget		1993 provisional		Variance Increase/ (decrease)	
	Cards sold	Amount	Cards sold	Amount	Cards sold	Amount
I. North America	17.2	14.0	15.4	13.8	(1.8)	(0.2)
II. Latin America	11.2	8.5	10.8	7.9	(0.4)	(0.6)
III. Asia	10.1	9.3	10.4	9.2	0.3	(0.1)
IV. Pacific, India and Pakistan	9.0	3.2	8.3	3.1	(0.7)	(0.1)
V. Europe	109.5	113.9	106.9	102.3	(2.6)	(11.6)
VI. Africa and the Middle East	5.2	5.1	4.7	3.9	(0.5)	(1.2)
Total all regions	162.2	154.0	156.5	140.2	(5.7)	(13.8)

B. Gross proceeds

8. Gross proceeds for 1993 are estimated at $140.2 million, a decrease of $10.8 million when compared to 1992 actual and a decrease of $13.8 million when compared to the 1993 budget. This shortfall against budget is due mainly to the impact of a stronger United States dollar (see para. 5 above). The effect of the exchange rate fluctuations on gross proceeds in major markets is estimated at $17 million or 10.8 per cent.

C. Commissions and direct expenses at field offices

9. Commissions are estimated at $35.2 million, which includes funds retained by National Committees for UNICEF and other sales partners, expenses incurred at field offices and commissions paid to consignees. As a percentage of gross proceeds, commissions and direct expenses at field offices are estimated at 25.1 per cent, 0.3 per cent less than the actual 1992 rate, but 0.3 per cent more than the 1993 budget rate.

D. Expenditure

Cost of goods delivered, freight, duties/taxes and promotional materials

10. This expenditure is estimated to be $29.5 million, the same as the 1993 budget and 1992 actual. As a percentage of gross proceeds, the cost of goods delivered, freight, duties/taxes and promotional materials is estimated at 21.0 per cent, 1.5 per cent higher than 1992 actual and 1.8 per cent more than the 1993 budget. This percentage increase is due to the lower gross proceeds resulting from unfavourable exchange rates (estimated at $17 million, see para. 5 above).

Operating costs

11. Operating costs for 1993 are forecast at $23 million, $0.8 million less than the 1993 budget, but $5.3 million higher than 1992 actual. The increase is due mainly to the cost of market research in high-potential markets, the cost of developing new product lines and the costs related to the initial work in the migration to a new computer platform.

E. Other income

12. Other income for 1993, generated mainly from royalties on licensed products and revenues from the sale of National Committee products, is estimated at $7.5 million, a decrease of $0.3 million when compared to the 1993 budget and $0.2 million higher than 1992 actual.

F. Net operating income, GCO products

13. The net operating income for GCO products for 1993 is projected at $60 million, a decrease of $12 million compared with 1992 and $10.3 million less than the 1993 budget. As explained in paragraph 8 above, this reduction is due to unfavourable exchange rates prevailing in 1993.

III. PRIVATE SECTOR FUND-RAISING

A. Income

14. As requested by the Executive Board, income from private sector fund-raising and related expenditures are shown separately from GCO product-related income (table 2). Income from special fund-raising events are also included in private sector fund-raising.

15. The net proceeds for 1993 are estimated at $54.8 million, an increase of $4.5 million when compared to actual 1992 and $11.7 million higher than the 1993 budget.

B. Expenditures

16. Operating costs are estimated at $4.5 million and research and development costs at $1.4 million (both are the same as budgeted). Expenses for the Fund-raising Development Programme (FDP) are estimated at $5.9 million, the same as the budget. The increased FDP investment (compared to 1992 actual) is having a positive impact on private sector fund-raising income for 1993 and providing a sound basis for increased income in future years (see para. 15 above). A status report on FDP is included in the annex to the present document.

C. Net operating income

17. The estimated net operating income of $43 million is $2.4 million higher Athan the 1992 actual and $11.7 million more than the 1993 budget. These increases are due to the increased participation of National Committees and UNICEF field offices in GCO-supported private sector fund-raising activities. Implementation of the three-year FDP, starting in 1991, has resulted in an expansion of the National Committee and field office donor base, generating increased revenues for 1993/1994 and providing a sound base for sustained increases over the years to come.

IV. CONSOLIDATED PROVISIONAL RESULTS

A. Net operating income, consolidated

18. After taking into account the Central and Eastern European National Committees Development Programme expenditures of $1 million, the GCO consolidated net operating income for 1992 is estimated at $102 million (see table 1), $9.4 million less than 1992 actual results, but $1.4 million higher than the 1993 budget.

B. Exchange rate and prior years' adjustment

19. An unfavourable exchange rate adjustment of $9 million is made to cover anticipated losses due to the stronger United States dollar and its impact on the revaluation of GCO non-United States-dollar-denominated assets and liabilities. This relates predominantly to outstanding accounts receivable from sales partners of which GCO has exposure due to exchange rate variations. It also includes actual exchange rate losses on prior years' accounts receivable incurred before 31 January 1994. Prior years' adjustments are estimated at $2 million.

C. Net income, consolidated

20. After deducting $9 million for the impact of exchange rate variations and $2 million for prior years' adjustments from the net operating income ($102 million), the consolidated GCO net income is estimated at $91 million, a

decrease of $16.2 million compared with the 1992 actual and $9.6 million less than the 1993 budget.

Annex

FUND-RAISING DEVELOPMENT PROGRAMME

PROGRESS REPORT, 1 MAY 1991-31 DECEMBER 1993

1. The Fund-raising Development Programme (FDP) has now been operational for 32 months of its projected three years. A total of 34 programmes in 14 countries have been supported. Eleven National Committees for UNICEF and three field offices have benefited to date from the programme. A total of $9.8 million has been committed and $5.1 million has been disbursed. Programmes costing an estimated $4.7 million are currently in the process of being implemented. These will be reported on at the Executive Board in 1995.

2. The investment of $5.1 million to date has resulted in an immediate return of $11 million for UNICEF. More importantly, a total of over 220,000 new donors to UNICEF, including 27,000 monthly pledge donors, have already been acquired, with substantially more to come. The combined value of the donors acquired so far, in terms of future net income, is estimated to be $36 million over 5 years and $51 million over 10 years.

3. All figures in the present report are based on data received up to 31 December 1993 by the Fund-raising Support Section of GCO from National Committees and UNICEF field offices.

4. The term "Funds raised" is defined as income generated by the campaign that is directly related to the FDP investment made.

5. "New donors" are donors acquired from external sources who have become first-time donors to UNICEF. New "monthly pledge donors" are donors who contribute monthly and have either been converted from existing donors or are new to UNICEF.

6. "Future net income" is estimated using projections based on known donor histories in a selection of countries in which UNICEF raises funds from the general public.